

# How to avoid credit & foreclosure scams



# Credit facts...

- Americans have over \$2.9 billion in debt
- In March 2011, CNN Money ranked Seattle #7 in the cities with the most credit card debt.
- Seattleites average \$4,877 in credit card debt per person.
- Consumers carry an average of 1.97 cards and are using 30% of their total available balance. The average interest rate is over 14% making it easy to go from manageable to overwhelming if you miss a payment or two.
- The amount you owe on a credit card in relation to your maximum credit limit can affect your credit score and your ability to qualify for the best financing.

# We've heard it all before....

- “Credit problems? No problem!”
- “We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!”
- “We can erase your bad credit — 100% guaranteed.”



# Just the facts...

- No one can remove accurate negative information from your credit report. **It's illegal.**
- Anything a credit repair company can do legally, you can do for yourself at little or no cost.
- It takes time, a conscious effort, and a debt repayment plan to improve a credit rating.

-source: FTC Facts for Consumers

# How to recognize a credit repair scam

- The company wants you to pay before they provide you any services
- They don't tell you your rights and what you can do for yourself for free
- They tell you not to contact any of the three major credit reporting agencies directly
- They tell you they can get rid of all or most of the negative information in your credit report, even if it's accurate
- They suggest you invent a new credit identity (by applying for an Employer Identification Number instead of your SSN)
- They advise you to dispute all the info in your credit report- regardless if it's accurate

-source: FTC Facts for Consumers

# Credit Resources

## **Government Institutions**

- The Federal Trade Commission

[www.ftc.gov](http://www.ftc.gov)

## **Nonprofit Counselors**

- American Financial Solutions

[www.myfinancialgoals.com](http://www.myfinancialgoals.com)

## **Credit Reporting Bureaus**

- Equifax
- Experian
- Trans Union

[www.equifax.com](http://www.equifax.com)

[www.experian.com](http://www.experian.com)

[www.transunion.com](http://www.transunion.com)

# About foreclosures....

The **Joint Center for Housing Studies at Harvard University** recently published a report on the state of housing in 2011.

Their findings:

- According to the Mortgage Banker's Association, at least 7.8 million foreclosure proceedings have been started since the housing crisis took hold in 2007.
- The backlog of troubled loans remains substantial. Loan Processing Services reports over 2.2 million loans are currently in the foreclosure process.

# Foreclosures affect everyone

**The Joint Economic Committee of Congress estimates that the average foreclosure costs \$77,935 while preventing a foreclosure is estimated at only \$3,300.**

- Cost to the homeowner: \$7,200 (loss of equity, moving expenses, legal fees)
- Losses to the neighbors: \$1,508 (decreased value in their home)
- Losses to local government: \$19,227 (diminished taxes, a smaller tax base)
- Cost to the lender: \$ 50,000 (losses on the property, maintenance, legal fees, appraisals, marketing, insurance, clean up, lost revenue, etc.)

# Common foreclosure scams

**The foreclosure prevention specialist:** The “specialist” really is a phony counselor who charges high fees in exchange for making a few phone calls or completing some paperwork that a homeowner could easily do for himself. None of the actions results in saving the home. This scam gives homeowners a false sense of hope, delays them from seeking qualified help, and exposes their personal financial information to a fraudster.

Some of these companies even use names with the word HOPE or HOPE NOW in them to confuse borrowers who are looking for assistance from the free 888-995-HOPE hotline.

**The lease/buy back:** Homeowners are deceived into signing over the deed to their home to a scam artist who tells them they will be able to remain in the house as a renter and eventually buy it back. Usually, the terms of this scheme are so demanding that the buy-back becomes impossible, the homeowner gets evicted, and the “rescuer” walks off with most or all of the equity.

**The bait-and-switch:** Homeowners think they are signing documents to bring the mortgage current. Instead, they are signing over the deed to their home. Homeowners usually don't know they've been scammed until they get an eviction notice.

-Source: FTC Facts for Consumers

# How to recognize a foreclosure scam

- A company/person asks for a fee in advance to work with your lender to modify, refinance or reinstate your mortgage.
- A company/person guarantees they can stop a foreclosure or get your loan modified.
- A company/person advises you to stop paying your mortgage company and pay them instead.
- A company pressures you to sign over the deed to your home or sign any paperwork that you haven't had a chance to read, and you don't fully understand.
- A company claims to offer "government-approved" or "official government" loan modifications.
- A company/person you don't know asks you to release personal financial information online or over the phone.

-Source: Freddie Mac

# Just the facts....

**Contact your mortgage lender first.** Your lender can tell you whether you qualify for any government programs to prevent foreclosure. And, remember, you do not have to pay to benefit from government-backed loan modification programs.

## **You should never:**

- be charged a fee in exchange for housing counseling services,
- be charged an upfront fee for services related to the modification of a delinquent loan
- be pressured into signing paperwork you do not understand.

Legitimate, trustworthy HUD-approved counseling agencies will only promise they will try their very best to help you-not guarantee to fix everything for you!

# Foreclosure prevention resources

**American Financial Solutions**

[www.myfinancialgoals.org](http://www.myfinancialgoals.org)

**Solid Ground**

[www.solid-ground.org](http://www.solid-ground.org)

**Urban League of Metropolitan  
Seattle**

[www.urbanleague.org](http://www.urbanleague.org)

**Washington Homeownership  
Resource Center**

[www.homeownership-wa.org](http://www.homeownership-wa.org)

**HOPE Loan Port**

[www.hopeloanportal.org](http://www.hopeloanportal.org)

**HUD Foreclosure Avoidance  
Counseling**

[http://www.hud.gov/offices/hsg/sfh/  
hcc/fc](http://www.hud.gov/offices/hsg/sfh/hcc/fc)

**Federal Trade Commission (FTC)**

[www.ftc.gov](http://www.ftc.gov)

# For more information

For more information on community resources for housing or credit counseling, please contact:

Dianne Wasson

206-389-7781

[Dianne.Wasson@homestreet.com](mailto:Dianne.Wasson@homestreet.com)

For more information on affordable housing in the City of Seattle:

HomeStreet Bank's Hometown Home Loan Program

206-628-0207

[www.homestreet.com/hometown](http://www.homestreet.com/hometown)